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JUL 27 1982

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EDUCATIONAL OPPORTUNITY AND EQUITY ACT OF 1982  
(TUITION TAX CREDITS)  
ANALYSIS

On April 15, 1982, President Ronald Reagan proposed a tuition tax credit bill for elementary and secondary education. In June 1982, the bill was introduced in both houses of Congress.<sup>1</sup> The President's bill will provide special income tax breaks for taxpayers who send their children to non-public schools.

THE PROPOSAL

Parents of children in private, non-profit, elementary and secondary schools could claim a non-refundable credit on their federal income tax for private school tuition costs up to a maximum of fifty percent of tuition paid for each child to a maximum credit per child of:

\$100 in 1983  
\$300 in 1984  
\$500 in 1985

This credit would phase out for families with adjusted gross incomes of \$50,000 or above, and would phase out entirely at an adjusted gross income level of \$75,000. The credit would be provided for tuition expenses including required course fees and all other normal tuition expenses, but not include books, supplies, meals, or transportation costs.

THE ANALYSIS

An analysis of the Reagan Administration's tuition tax credit bill would include the following points:

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<sup>1</sup>S 2673, Dole, Roth, D'Amato; HR 6701, Gradison, Biaggi, Coughlin, Daugherty, Luken, Soloman, Molinari, Rousselot, Hyde, Livingston, Gephardt, Nelligan, Lungren, Holt, Forsythe, Snyder.

### Costs

The total costs of the proposal would be almost \$4½ billion over the first three years of the program:

	Coalition Estimate <sup>2</sup>	Administration Estimate
1983	\$ 490 million	\$ 100 million
1984	1,596 million	600 million
1985	<u>2,224</u> million	<u>1,500</u> million
	\$4,310 million	\$2,200 million

This large tax expenditure would increase the federal deficit and consume funds which might otherwise be available for public education. Reagan Administration officials have stated that tuition tax credits will take monies directly away from federal aid to public education.<sup>3</sup>

### No Refundability

The tuition tax credit proposal does not have a refundability provision. In order to receive the full allowable credit, a taxpayer must have an income tax liability equal to or exceeding the amount of the credit. This means that many low income families would not be able to benefit from the credit even though they might have children in non-public schools.

### Discrimination

The only anti-discrimination provision in the bill is a section covering racial discrimination. This provision shifts the burden for policing violations from the federal government to individuals, imposes an excessive paperwork requirement, and has weak and ineffective penalties for schools that do discriminate on the basis of race. There are no provisions against discrimination by private schools on grounds other than race.

<sup>2</sup> Year	Est. Non-Public Enrollment	Maximum Credit	Average Credit	Est. No. Eligible For Credit	Est. Total Cost
1983	5,200,000	\$100	\$100	4,900,000	\$ 490 million
1984	5,720,000	300	300	5,320,000	1,596 million
1985	5,980,000	500	400	5,560,000	<u>2,224</u> million
					\$4,310 million

<sup>3</sup>From statement by John Chapoton, Assistant Secretary of the Treasury for Tax Policy, September 22, 1981.

### Constitutional Issues

The tuition tax credit proposal violates the Constitutional principle of the separation of church and state by making religious schools or parishes the major beneficiaries of public assistance. The courts have held this to be unconstitutional.<sup>4</sup>

### No Increase in Services

The Reagan Administration's tuition tax credit proposal provides a massive subsidy for those parents who already have children in private schools and does nothing to improve the quality of educational services in either public or private schools. The federal government will forego billions of dollars of revenue and the American society will receive nothing in return.

### Major Benefit to Upper Income Families

The major benefit to families will be to those who already have their children in private schools and these families are in the upper middle and upper income levels. Little benefit would accrue to lower income families because even with a modest credit, they cannot afford to send their children to private schools.

In summary, this bill would have a major detrimental impact on the federal budget and what benefits would be gained would largely accrue to upper income families. It provides no educational benefit and, in reality, is an income redistribution scheme to shift income from lower income to higher income families.

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<sup>4</sup> see Lemon v. Kurtzman, 403 U.S. 602, 91 S. Ct. 2105, 29 L. Ed 2d 745 (1971), Committee for Public Education v. Nyquist, 413 U.S. 756, 761 n. 5, 93 S. Ct. 2955, 2959, 37 L. Ed. 2d 948 (1973), and Levitt v. Committee for Public Education, 413 U.S. 472, 93 S. Ct. 2814, 37 L. ed. 2d 736 (1973).